In the case of the iPad, the recent market trend shows that the market price of the iPad is below that of the equilibrium price, due to the high demand. Therefore, the quantity demanded exceeds the quantity supplied. This results in a shortage of iPads, putting an upward pressure on the price as consumers are now willing to offer a higher price. Producers, being profit-motivated, will supply a good as long as it maximises their profits; the goods are only supplied to those who are willing and able to pay, while those who are unwilling or unable to pay for the good are driven out of the market. Therefore, as price increases, quantity demanded falls and the quantity supplied rises, thus reducing shortage. The price of the good continues to increase until shortage is eliminated at equilibrium price.

The recent earthquake and tsunami in Japan has caused logistical disruptions, adversely affecting the production of the iPad. This is because some components of the iPad are supplied by Japanese companies. Suppliers are expected to encounter difficulties in getting raw materials supplied and distributed as well as in shipping out products; shipping cost will also increase as ships cannot enter the damaged ports. They also are facing difficulties with employee absences because of problems with the transportation system; more money might also have to be paid to the workers as an incentive to work despite the inconvenience. This increases the cost of production of the iPad as the cost of the raw material and labour increases, which in turn results in a lower profit per unit. Hence, at each possible price, fewer units of the iPad will be supplied. Due to the supply shock, supply decreases while demand increases causing an increase in equilibrium prices. This results in fewer iPads produced at each prevailing price level, known as a supply shock.

Taste and price of substitutes affect consumers’ demand for the iPad. The newly released iPad 2 affects consumers’ demand of iPad as there may be an unfavorable change in consumer taste for iPad, resulting in a decrease in demand for iPad. Consumers now prefer iPad 2 to iPad, which includes more functions such as the camera input, which will further maximize their satisfaction. Hence, demand for iPad decreases, the demand curve will shift leftwards. The availability of additional functionality and productivity of the iPad will result in a higher demand, as this would maximize satisfaction by enhancing their usage of the iPad. For example, the iPad has an application store that enables consumers to download and purchase applications to further enhance their usage of iPad.

When there are other substitutes for iPad, such as Samsung Galaxy Tab, it provides other alternatives for consumers. The closer the substitutes, the lower the demand for iPad, as consumers can simply turn to those substitutes. When price for iPad remains the same, as more substitutes are produced, the demand will be lower, as consumers will choose to buy the cheaper one. If the price of iPad increases, demand will also decrease, as consumers will choose to get other substitutes, especially if they are not willing to purchase the iPad at a higher price.